GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:607
ANSWERED ON:26.02.2016
Interest Rate on Small Savings
Jayadevan Shri C. N.;Kharge Shri Mallikarjun

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has any proposal to lower the rate of interest on small savings;
(b) if so, the details thereof and the reasons therefor; and
(c) the total amount of small savings presently deposited with the scheduled banks or other Government institutions?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI JAYANT SINHA)

(a) & (b): Sir, the small savings interest rates are perceived to limit the banking sector's ability to lower deposit rates in response to the monetary policy of the Reserve Bank of India. In the context of easing the transmission of the lower interest rates in the economy, the Government has taken a comprehensive view on the social goals of certain National Small Savings Schemes. Accordingly, from 1.4.2016

i. The 25bps spread that 1 year, 2 year and 3 year term deposits, KVPs and 5 year Recurring Deposits have over comparable tenure Government securities, shall stand removed.

ii. Further, the interest rates of all small saving schemes would be recalibrated on a quarterly basis, to align the small saving interest rates with the market rates of the relevant Government securities.

iii. The compounding of interest which is biannual in the case of 10 year National Savings Certificate (discontinued since 20-12-2015), 5 year National Saving Certificate and Kisan Vikas Patra, shall be done on an annual basis from 1.4.16.

This is expected to help the economy move to a lower overall interest rate regime eventually and thereby help all, particularly low-income and salaried classes.

(c) The total amount of small savings deposited with agencies, which are operating small savings schemes, on 31.12.2015 was Rs.9,51,996.59 crore (approximately).